



Contextualizing Financial Corruption: Financialization and the Criminogenic Structures of Finance Capitalism

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The ubiquity of financial corruption

- Facilitation money laundering
- Facilitation tax evasion
- Facilitation Ponzi fraud
- Financial statement fraud
- Predatory lending
- Mis-selling of pensions and life insurance policies to households
- Mis-selling of interest rate swaps to corporations and SMEs
- Mis-selling of mortgage derivatives to institutional investors
- Libor manipulation
- FX manipulation
- Rogue trading scandals

\$162.2 billion in fines and settlements (FT data, July 2015)



Bad apples...



... or rotten barrels?





Criminological theories of crime causation

Theories of individual criminality

- Psychological explanations
- Sociogenic explanations

Criminogenic markets hypothesis

- Motivations
- Neutralizations / Normalization
- Opportunities
- Risk of detection





Financialization as a contextualizing framework?

What is financialization?

“The increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies”

(Epstein 2005: 3).

Three analytical themes

1. The marketization of financial intermediation
2. The financialization of households, firms, and public institutions
3. The judicial-spatial configurations of financialization

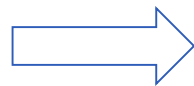




1. The marketization of financial intermediation

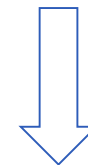
A new business model for banks

- Shareholder value revolution
- Retail revolution
- Wholesale revolution



Criminogenic implications

- Perverse remuneratory incentives
- Proliferation of conflicts of interests
- *Caveat emptor* as governing principle



- Criminal *motivations*
- *Normalization* of corrupt practices





2. The financialization of households, firms, and public institutions

Increase in financial market participation

Households

- Private pension plans
- Life insurances
- Home mortgages



Criminogenic Implications

- Gullible investors as suitable targets



Firms and public institutions

- OTC derivatives

- Proliferation of *opportunities*





3. The judicial-spatial configurations of financialization

'Offshoreization' of financial activity

- Regulatory advantages
- Tax advantages
- Secrecy and anonymity



Criminogenic Implications

- Intransparency of financial accounts
- Intransparency of tax returns
- Circumvention of controls



- Lowered *risk of detection*





Preliminary conclusions

- There have been few attempts to contextualize and theorize the proliferation of financial corruption.
- The concept of financialization looks promising as a contextualizing framework for the study of financial corruption.
- More in-depth analysis of the criminogenic implications of the process of financialization for specific types of financial corruption is needed.



Thank you for your attention

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